

Summary Appraisal Report of

Illinois Real Estate Company
1927 Miller Drive
Olney, Illinois 62450

Prepared for

First Community Bank
240 E. Chestnut
Olney, Illinois 62450

Effective Date of the Appraisal

September 21, 2002

Prepared by

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September 22, 2002

Mr. Bob Ferguson
First Community Bank
240 E. Chestnut
Olney, Illinois 62450

RE: Appraisal of Illinois Real Estate Company
1927 Miller Drive
Olney, Illinois 62450

Dear Mr. Ferguson:

In accordance to your request, I have personally inspected and prepared an appraisal report of the Illinois Gas Company building, located at 1927 Miller Drive, Olney, Illinois. The purpose of this appraisal was to estimate the market value of the subject property in fee simple interest. The function of this report is for mortgage lending. First Community Bank is the intended user of this report. This property is in the process of being built and this appraisal is based upon completion of project in an acceptable time and workmanship typical for the area. Based upon my investigation and analysis of the real estate market in this area, it is my opinion that the market value of the subject property, as of September 21, 2002, is:

Eight Hundred Twenty Thousand Dollars
\$820,000

The indicated value of this report is subject to the limiting conditions included in this report.

It has been a pleasure to assist you in this matter; if I may be of further assistance to you in the future, please let me know.

Sincerely yours,



Steven L. Scott
IL State Certified General Real Estate Appraiser
License # 153-000780
Expires September 30, 2003

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Certification of Value

We certify that, to the best of my knowledge and belief:

The statements of fact contained in this report are true and correct. The appraisers have not knowingly withheld any significant information.

- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and is our personal, unbiased professional analysis, opinions and conclusions.
- Our opinion of market value in the appraisal report is not based whole or in part upon the race, color or national origin of the prospective owners or occupants of the property appraised, or upon the race, color or national origin of the present owners or occupants of the properties in the vicinity of the property appraised.
- The Appraiser has no present or contemplated future interest in the property appraised; and neither the employment to make the appraisal, nor the compensation for it, is contingent upon the appraised value to the property.
- We have no present or prospective interest in the property that is the subject of this report, and no personal interest or bias with respect to the parties involved.
- Our compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or occurrence of a subsequent event.
- Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- we have personally inspected the property that is the subject of this report.
- No one has provided significant professional assistance to the appraiser in the preparation of this report.
- This appraisal report has been made in conformity with and is subject to the requirements of the Code of Professional Ethics and Standards of Professional Conduct of the appraisal organizations with which the appraiser is affiliated.



Steven L. Scott

Summary of Important Data and Conclusions

Property Name	Illinois Real Estate Building.
Property Address	1927 Miller Drive Olney, Illinois 62450
Purpose of the Appraisal	Estimate Market Value
Function of the Report	mortgage lending
Property Rights Appraised	Fee simple
Effective Date of the Appraisal	September 21, 2002
Property Use	Warehouse & Offices
Site Area	7.59 acres +/-
Building Design	One-story steel span
Building Area	24,000 S.F.
Land to Building Ratio	13.8:1
Zoning	M-2 Industrial
Highest and Best Use, as vacant	Industrial
Highest and Best Use, as improved	Industrial/offices
Indicated Value from the Cost Approach	\$811,000
Indicated Value from the Income Approach	\$827,000
Indicated Value from the Sales Comparison Approach	\$816,000
Final Value	\$820,000
Estimated Marketing Time	1-2 Years

Premise of the Appraisal

Identification of the Appraisal and Report Format

This is a complete appraisal of the subject property. The appraisal report is presented in a summary format.

Assumptions and Limiting Conditions

This appraisal report has been made with the following general assumptions:

NOTE: This appraisal is under construction and is to be completed as per plans. It is assumed that the project will be completed within 4 months in an acceptable workmanship manner.

- No responsibility is assumed for the legal description provided or for matters pertaining to legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated.
- The property is appraised as free and clear of any or all liens or encumbrances unless otherwise stated.
- Responsible ownership and competent property management are assumed.
- The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.
- All engineering studies are assumed to be correct. The plot plans and illustrative material in this report are included only to help the reader visualize the property.
- It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for obtaining the engineering studies that may be required to discover them.
- It is assumed that the property is in full compliance with all applicable federal, state, and local environmental regulations and laws unless the lack of compliance is stated, described, and considered in the appraisal report.
- It is assumed that the property conforms to all applicable zoning and use regulations and restrictions unless nonconformity has been identified, described and considered in the appraisal report.
- It is assumed that all required licenses, certificates of occupancy, consents, and other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.

- It is assumed that the use of the land and improvements is confined within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in the report.
- Unless otherwise stated in this report, the appraisers did not observe the existence of hazardous materials, which may or may not be present on the property. The appraisers have no knowledge of the existence of such materials on or in the property. The appraisers, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea- formaldehyde foam insulation, and other potentially hazardous materials may affect the value of the property. The value estimated is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for such conditions or for any expertise or engineering knowledge required discovering them. The intended user is urged to retain an expert in this field, if desired.

Purpose and Use of the Appraisal

The purpose of the appraisal is to estimate the market value of the subject property as of September 21, 2002 (as if completed). The use of this report for mortgage lending. The First Community Bank is the intended user of this report.

Definition of Market Value

The most probable price, which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby: (1) buyer and seller are typically motivated; (2) both parties are well informed or well advised, and each acting in what he considers his own best interest; (3) a reasonable time is allowed for exposure in the open market; (4) payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and (5) the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions* granted by anyone associated with the sale.

*Adjustments to the comparables must be made for special or creative financing or sales concessions. No adjustments are necessary for those costs, which are normally paid by sellers as a result of tradition or law in a market area; these costs are readily identifiable since the seller pays these costs in virtually all sales transactions. Special or creative financing adjustments can be made to the comparable property by comparisons to financing terms offered by a third party institutional lender that is not already involved in the property or transaction. Any adjustment should not be calculated on a mechanical dollar for dollar cost of the financing or concession but the dollar amount of any adjustment should approximate the markers reaction to the financing or concessions based on the appraisers judgment.

The effective date of this appraisal is September 21, 2002.

Property Rights Appraised

The subject property was appraised in a fee simple interest.

Scope of the Appraisal

An inspection of the subject property was made on September 20, 2002 by plans only. . Sales information, real estate tax data, and land sales in the subject property area was obtained from the Richland County Supervisor of Assessments office located at the Richland County Courthouse in Olney, Illinois. Sales data of similar improved properties was reviewed in the East Central Illinois area. Community profile information was obtained from the Illinois Department of Commerce and Community Affairs.

This appraisal report was prepared under the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation.

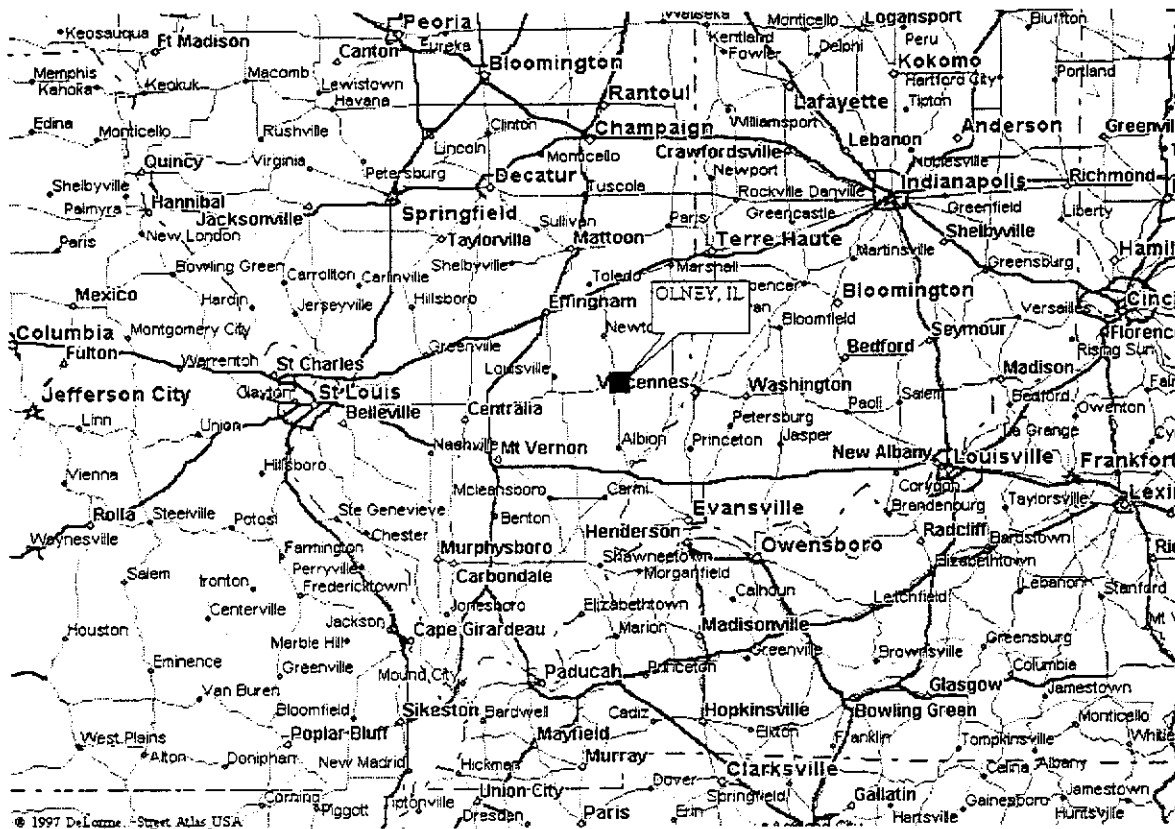
Ownership History

Illinois Real Estate Company of Lawrenceville is the owner of record on the subject property as of the effective date of the appraisal. Ownership information was confirmed in Richland County Recorder's Office.

Three-Year Transaction History

The last deed was B2002, P 7563 and was between City of Illinois and Illinois Real Estate Co. by Warranty Deed. This was vacant land prior at the time of this transaction and there has been no sales within the last 36 months.

Area Analysis



Location

Richland County is located in south central Illinois. It is approximately 250 miles south of Chicago, IL and approximately 120 miles east of St. Louis, MO. Indianapolis, IN is approximately 110 miles east of Olney and Evansville, IN is 75 miles south.

Population

The current population for Richland County was estimated at 18,404. This was an 11.2% increase above the 1990 census.

Economy

Richland County's economy is based in agriculture and manufacturing. Most industrial properties are located in south part of

There are 5 banks located in Olney and most small communities have local banks.

Transportation

Illinois Rt. 130 and US Rt. 50 provide vehicle transportation through the Richland County area. CSX provides east-west rail freight transportation. There is a community airport located at Noble and the nearest regional airport is located at Evansville, IN.

Education & Social

Kindergarten through twelfth grade classes is provided in various community school districts. Olney Central College is located approximately at Olney, IL.

Richland Memorial Hospital and the Weber Medical Clinic are located in Olney. Richland Memorial Hospital is a 150-bed hospital. There are 31 doctors and 12 dentists in the area.

Trends

Demand for residential property has been steady in Richland County. New construction activity is occurring in Olney.

Neighborhood Analysis

Location

The City of Olney is the county seat of Richland County and located in the center of the county.

Population

Recent trends have shown an increase in population for the City of Olney and the Richland County area. A steady growth would be expected in the future.

Population	1980	1990	Current
City of Olney	9,026	8,910	9,637
Richland County	17,587	16,545	18,404

Municipal Services

Municipal zoning is controlled by the City of Olney and includes the city and a 1-½ -mile radius. There is a subdivision ordinance. There is no countywide zoning. The comprehensive plan was revised in 1999.

The fire department an insurance class rating of 6 in the city and 6 outside the city limits. There are 4 full time and 30 volunteer firefighters. The police department included 13 full time officers.

An Emergency 911 system is under development. A public library is available. All public utilities are available. There is an enterprise zone and TIF district in areas of Olney.

Transportation

State Highway Route 130 and US Routes 50 intersect in Olney. There are 2 motor freight terminals and 2 local carriers in this area. CSX provide rail service.

Employment

Major Employers

Employer	Product/Service	Employees	Year Established
Prairie Farms Dairy	Milk & Milk Products	107	
Richland Co. Hospital	Healthcare	445	
Wal-Mart	Food Distribution	500	1997

Education Summary Table

Type	Number	Teachers	Enrollment
Elementary	4	74	986
Junior High	1	35	565
High School	1	63	720
Community College	1	35	1,200

Richland Memorial Hospital is the community hospital. This is a 150-bed facility that provides emergency medical treatment and skilled care.

Community Facilities

There are 6 motels with 174 rooms available. There are 14 restaurants in the area.

There are two public golf courses and a private country club in the area. There are three lakes that provide fishing, boating, swimming and camping facilities. There are several parks and a new community swimming pool

Identification of the Subject Property

The subject property is located at the intersection of Illinois State Route 130 S and Miller Drive, just south of Rt. 50

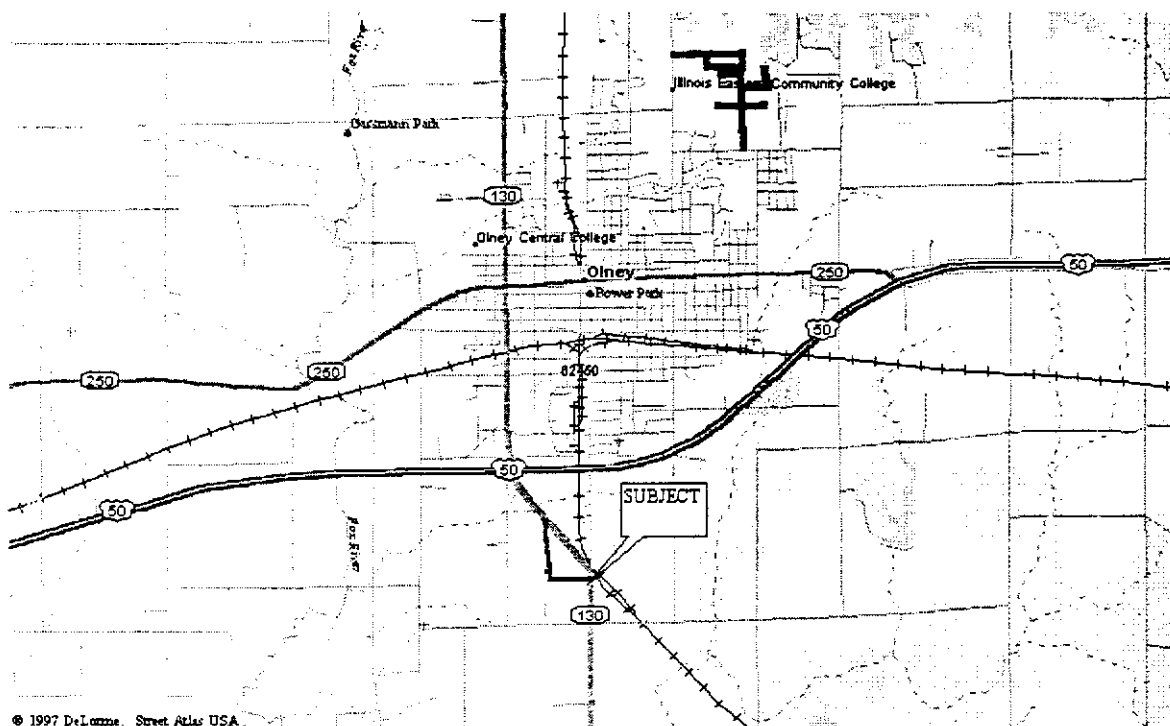
Legal Description

A part of the Southeast Quarter (SE 1/4) of the Southwest Quarter (SW 1/4) of Section Ten (10), Township Three North (T3N), Range Ten East (RI0E) of the 3rd Principal Meridian, Richland County, Illinois, more particularly described as follows:

Commencing at the Southeast corner of the Southwest Quarter of said Section 10, thence S 89° 52' 32" W, 40.0 feet to a point on the West right of way line of Route 130; thence N 1° 07' 06" E, 283.91 feet along the West right of way line of Route 130 to the point of Beginning, thence N 1° 07' 06" E, 535.14 feet along the West right of way line of Route 130; thence N 65° 15' 48" W, 120.06 feet along the South right of way line of Miller Drive; thence N 88° 52' 54" W, 463.00 feet along the South right of way line of Miller Drive; thence S 1° 07' 06" W, 579.88 feet; thence S 88° 32' 40" E, 573.00 feet to the point of beginning, containing 7.59 acres, more or less, said tract commonly known as Lot Two (2) of the City of Olney Route 130 Industrial Park.

NEIGHBORHOOD: The immediate area where the subject is located is contained in the Industrial Parks of Olney, Illinois and this is the area where the majority of comparables both rentals and sales are located.

LOCATION MAP



Site Description

Site Area 7.59 acres, more or less
Frontage 583 ft Miller Drive

	<u>Quality</u>		<u>Type</u>	<u>Maintenance</u>
Access	Good	Street Type	Concrete	Public
Street Frontage	Good	Curb & Guttering	Concrete	Public
Shape	Average	Lighting	Typical	Public
Visibility	Average	Electricity	City	Public
Landscaping	Average	Gas	City	Public
Drainage	Adequate	Water	City	Public
Traffic Pattern	Average	Sewer	City	Public
Adequacy of Utilities	Average	Storm Drainage	Yes	
		Sidewalks	None	
		Topography	Generally level	
		Grade	At Grade	

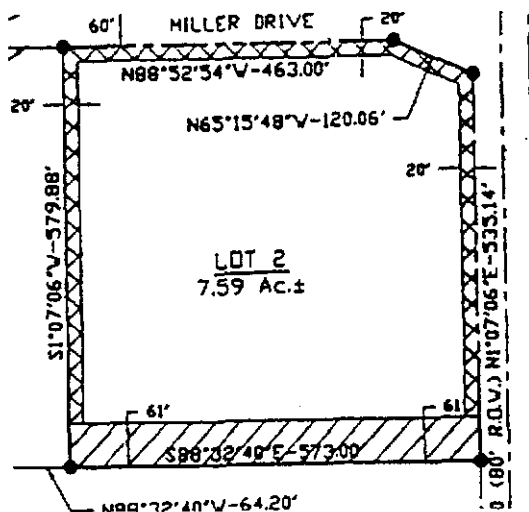
<u>Flood Data</u>	<u>Zone</u>	<u>Map Number</u>	<u>Date</u>	<u>Community</u>
	C	170995 0100B	11/1/1984	County of Richland

Easements: Typical utilities easements
Encroachments: None apparent

Analysis & Comments

The subject is an irregularly shaped tract with frontage on Miller and IL #130. (see plat)

Plat



Zoning

The subject property is presently zoned M-2 Heavy Industrial District. The purpose of this district is to provide sufficient space in appropriate locations for certain types of businesses and manufacturing.

A building or premises may be used for any purpose not in conflict with any ordinance of the City regulating nuisances; provided, however, that no building shall be erected, reconstructed, or structurally altered for residential purposes, except for resident watchmen and caretakers employed on the premises; and provided further that no building or occupancy permit shall be issued for any of the following uses until and unless the location of such use shall have been approved by the City Council after report by the Board of Appeals and the Chief of the Fire Department:

- A. Acid manufacture;
- B. Cement, lime, gypsum or plaster of Paris manufacture;
- C. Distillation of bones and glue manufacture; D. Explosives, manufacture or storage;
- E. Fat rendering and fertilizer manufacture;
- F. Garbage, offals, or dead animals, reduction or dumping;
- G. Petroleum, or its products, refining of,
- H. Smelting, of tin, copper, zinc or iron ores;
- I. Stockyards or slaughter of animals.

Building Height and Setback Requirements

The M-2 Heavy Industrial District limits the building height to a maximum height of seventy-five feet and limited to 6 stories. There is a 25-foot front yard setback. No side or rear yard setbacks are required unless the property adjoins a residential district. When adjoining a residential district, a 5-foot side yard and/or a 25-foot rear yard setback are required.

If the property is located adjacent to, or within 100 feet of a Residential District, the height is limited to 45 feet; or an additional 1-foot setback is required for each additional foot in height above 45 feet.

Real Estate Tax Data

Assessor Parcel Number	11-10-301-010
2002 Land Assessment	\$ 470
2000 Improvement Assessment	0
2002 Total Assessed Value	\$470
2002 Real Estate Taxes	0

No real estate tax information available because subject has yet to be improved and also it are located in an enterprise zone.

SUBJECT PHOTOS

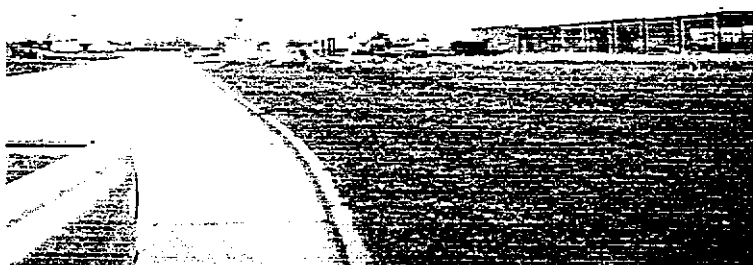
Front View



Rear view



Looking East toward
State Route #130

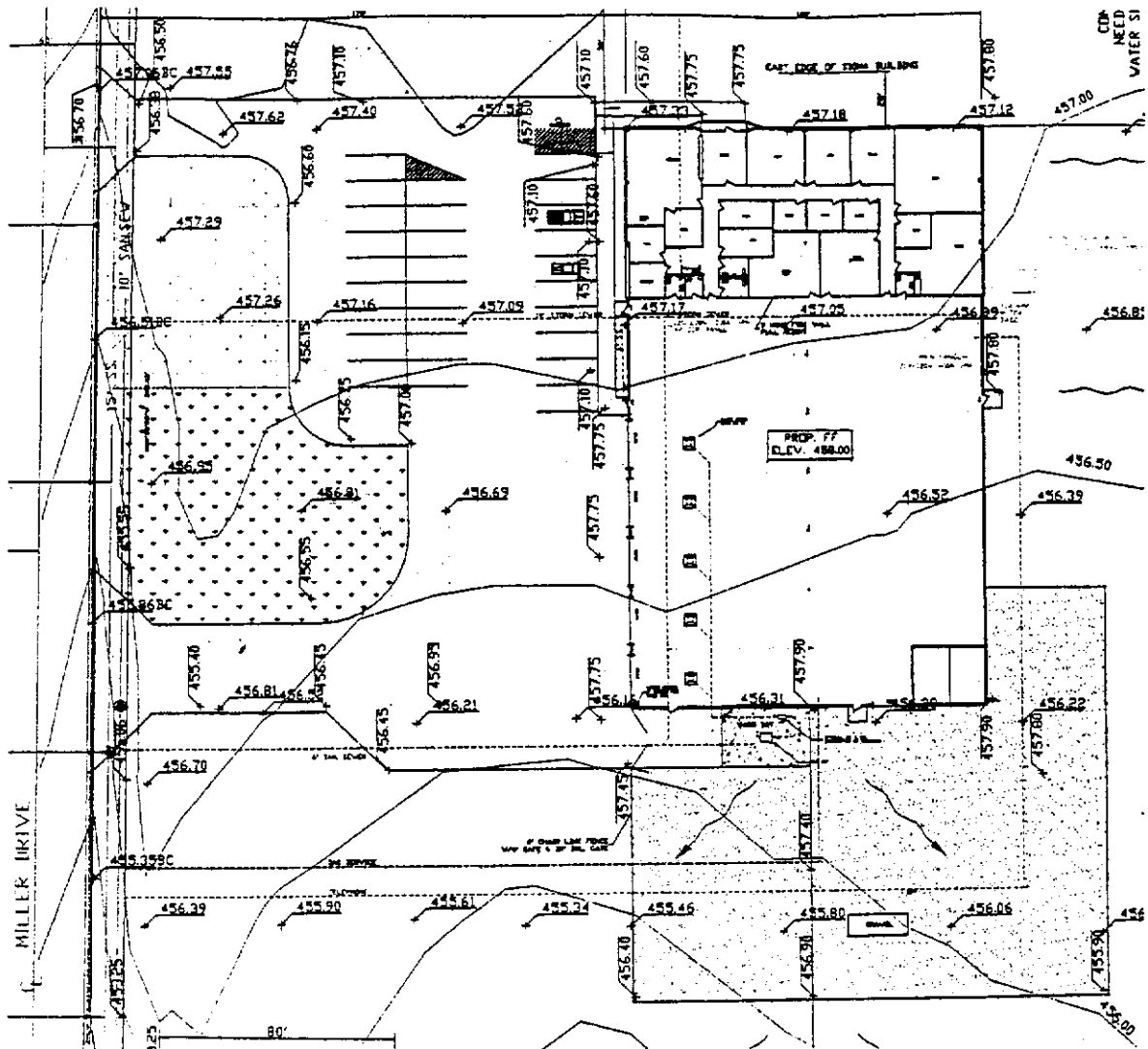


Improvement Description

Dimensions	Office 7200s.f. Warehouse 16,800 s.f. 16 ft sidewalls
Year Built	2002
Effective Age	0 years
Interior Condition	Good
Exterior Con	Good
Floors	Poured Concrete 6" reinforced
Construction	Manufacturing light steel frame
Exterior wall	Metal with concrete tilt up on North and East sides
Interior finish	Office drywall & Acoustical tile ceiling
Ceiling	Suspended tile in office
Roof covering	Metal
Plumbing	4 (1/2) bath-restrooms in office area;
Electrical	400 amp 208/120V 3 phase, plus 200 amp box in office area
HVAC	4 Gas Forced air 165,000 Btu. (Ceiling mount) in manufacturing area; Office gas forced warm air with central air-conditioning.

Offices are to be located on the East side of the building. The warehouse is on the west end and there are to be 5 (14ft) overhead doors on North side and 1 overhead door on the south side. Concrete parking area of approximately 26,100s.f. located on the North side of building and 17,600 s.f. of graveled parking on West side. All information was obtained from plans.

Improvement and Site Sketch



Furniture, Fixtures, and Equipment

No franchise value, business value, or intangibles are included in the value estimate.

Highest and Best Use

Highest and best use is defined as follows:

The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.

Highest and best use analysis is a three-step process. The first step involves the highest and best use of a site as though vacant. The determination must be made to leave the site vacant or to improve it. If the conclusion is to improve the site, the second step is to determine the ideal improvement. The final step is a comparison between the ideal improvement and the existing improvement. At this point, the determination must be made to maintain the property in its present form or to modify the improvements to more closely conform to the ideal.¹

¹ third edition of *The Dictionary of Real Estate Appraisal* (Appraisal Institute, Chicago, 1993)

Highest and best use as vacantLegally Permissible Use

The subject property is located in an M-2 Heavy Industrial District. General industrial and warehouse uses are permitted in this district. There are no known deed restrictions that would limit potential uses of the subject property.

Physically Possible Use

The size, shape and terrain of the site would not restrict the subject property from most uses. The above average utilities would indicate a commercial or industrial use. Warehouse and industrial uses would be favored due to the subject properties larger size.

Financial Feasibility Use

Warehouse and industrial uses would be favored due to the subject property's superior location. This use is consistent with area property uses.

Maximally Productive Usage

Due to the traffic flow in this area, an office and warehouse use would appear to be the highest and best use for the site.

Highest and Best Use as ImprovedLegally Permissible Use

The subject property is located in an M-2 Heavy Industrial District. General industrial and warehouse uses are permitted in this district. There are no known deed restrictions that would limit potential uses of the subject property.

Physically Possible Use

The subject property improvements well suited for industrial production and warehouse use. No functional obsolescence is apparent due to the age and design of the property.

Financial Feasibility Use

Office and warehousing would be suitable uses for the property.

Maximally Productive Usage

Due to the improvement design an industrial/office use would appear to be the highest and best use for the subject property.

VALUATION OF THE SUBJECT PROPERTY

Appraisers to estimate the value of the subject property commonly use three methods or approaches.

Cost Approach to Value

In the cost approach, the site value is estimated as if vacant and ready to improvement. The reproduction cost new of the improvements are estimated based upon building cost as of the effective date of the appraisal. The costs new of the improvements are depreciated based upon physical deterioration, functional obsolescence, and external obsolescence. The depreciated value of the improvements, along with the estimated site value and site improvements provides a value estimate of the subject property by the cost approach.

Sales Comparison Approach

In the sales comparison approach, the subject property is compared with other similar properties that have sold in the marketplace. Adjustments are made to the comparable sales for significant differences that would affect value. Once adjustments are made, the comparable sales would indicate a value for the subject property.

Income Approach to Value

Income producing properties are typically purchased for the ability to produce income. In the income approach, a value estimate is made from the potential income the subject property can produce.

Direct capitalization and the discount cash flow are two common methods used in this approach. In the direct capitalization method, a single-year's net operating income (NOI) of the subject property is divided by an overall capitalization rate (R_o) to estimate the value. In the discounted cash flow method, a series of annual cash flows and a reversion of the property at the end of the hold period are analyzed. The net present value of the cash flow is discounted to a present day value at an overall yield (Y_o).

THE COST APPROACH TO VALUE

Estimating Site Value

The first step in the cost approach is to estimate the value of the site, as vacant and ready for the improvements. Several recent land sales were reviewed; the following sales were felt to be the best indicators of value for the subject site.

COMPARABLE SITE DESCRIPTIONS				
	Subject	Sale No. 1	Sale No. 2	Sale No. 3
Location/Address		1909 Miller Dr	4632 E. Radio Tower	3901 N IL 130
Proximity to Subject		Olney, IL	Olney, IL	Olney, IL
Plat Reference				
Deed Reference		2000-3120	1993-1954	1996-6134
Date of Sale		March-00	March-93	March-96
Actual Price	\$ -	\$80,000	\$41,000	\$236,730
Size (Acres)	-	5.53	5.95	36.42
Frontage				
Zoning		M-2	M-2	M-1
Utilities		full city	full city	Electric
Site Improvements		none	none	none
Terms and Conditions		cash	cash	cash
Shape		irregular	irregular	irregular
Topography				
COMPARABLE SITE COMPARISON ANALYSIS				
Actual Sales Price		\$ 80,000	\$ 41,000	\$ 236,730
Financial Adjustments				
Cash Equivalent Price		\$ 80,000	\$ 41,000	\$ 236,730
Cash Equivalent Price per Unit	(Acre)	\$ 14,467	\$ 6,891	\$ 6,500
Time Adjustment			\$ 3,290	\$ 1,795
Time Adjustment Cash Equivalent Price per Unit		\$ 14,467	\$ 10,181	\$ 8,295
Location/ Visibility				
Size				\$ 4,147
Shape/Utility		-4341		
Partial Interest Adjustment				
	Total Adjustments	\$ -	\$ -	\$ 4,147
	Indicated Value per Unit	\$ 10,126	\$ 10,181	\$ 12,442
		Land Units:	7.59 Acres	
		Price per Unit:	\$ 10,000	
		Land Value Indication:	\$ 75,900	
		Rounded	\$ 76,000	

Comments: Comp #1 sales price reflects a full purchase, it was \$40,000 for ½ interest a 30% adjustment was made for partial interest.

Site Improvements:

Site Improvements						
Item	Size		Cost/unit	Cost New	Depreciation	Cont. Value
concrete parking	26,000 SF		\$ 2.60	\$ 67,600	0.00%	\$ 67,600
graveled parking	17,600 SF		\$ 0.55	\$ 9,680	0.00%	\$ 9,680
Value of Site Improvements				\$ 77,280		\$ 77,280

Replacement Cost New

The cost new of the improvements was estimated using the Marshall Valuation Service *Marshall Valuation Manual*. The indicated cost new was adjusted to reflect local costs in this area.

	Section 1	Section 2	Section 3	Section 4	
Occupancy	Warehouse	Office			
Building Class	C	average			
Number of Stories	1	average	-	-	
Average Floor Area	16,800	7,200	-	-	
Effective Age	1	1	-	-	
Condition	good	average			
Basic Cost	\$ 22.00	\$ 40.00	\$ -	\$ -	
FINAL CALCULATIONS					
Refined Cost/S.F.	\$ 22.00	\$ 40.00			
Final Cost/S.F.	\$ 22.00	\$ 40.00			
Area	16,800	7,200	-	-	
Basic Cost	\$ 369,600	\$ 288,000			
Lump Sum Adjustments					TOTALS
Total Cost New	\$ 369,600	\$ 288,000			\$ 657,600
Cost Summary					
Warehouse	16,800	SF @	\$ 22.00	=	\$ 369,600
Office	7,200	SF @	\$ 40.00	=	\$ 288,000
Total Direct Costs	10,000				\$ 657,600
Total Cost New					\$ 657,600
Less: Physical Depreciation			0.00%	\$ -	
Functional Obsolescence			0.00%	\$ -	
External Obsolescence			0.00%	\$ -	
Total Depreciation			0.00%		\$ -
Depreciated value of buildings					\$ 657,600
Estimated value of site improvements					\$ 77,000
Depreciated value of improvements					\$ 734,600
Estimated value of site					\$ 76,000
Indicated value from the cost approach					\$ 810,600
				Rounded	\$ 811,000

The Income Approach to Value

Direct Capitalization

There are six steps to the direct capitalization method.

- The potential gross income (PGI) is estimated for the subject property.
- A vacancy and collection loss is subtracted to get the effective gross income (EGI).
- Operating expenses and replacement reserves are estimated for the subject property.
- The operating expense and replacement reserves are subtracted from EGI to determine NOI.
- R_o is estimated from similar sales that have occurred in this market. This rate can be also be calculated from sales and mortgage data.
- The NOI is divided by R_o to estimate the value from the income approach.

Several leases of similar properties were reviewed in order to estimate the PGI of the subject property. All leases considered were long-term tenants, which is common for this market.

In this analysis, the PGI was estimated as a long-term lease, which would be an alternative use for the property and remove any business value for operations.

Development of Capitalization Rate

Capitalization Rate

When possible capitalization rates are developed from similar properties that was sold for rental purposes. The building owner occupied most recent sales at the time of the sales. There are two additional methods commonly used to estimate capitalization rates.

Underwriter's method

The underwriter's method uses current mortgage rate data to estimate a capitalization rate. This method uses the debt coverage ratio, mortgage constant and loan-to-value ratio to calculate a capitalization rate. The formula is:

$$R_o = DCR \times \text{mortgage constant} \times LTV$$

Where:

Mortgage Terms

Loan-to-Value	80.00%
Interest Rate	7.25%
Amortization Rate	20 years
Debt Coverage Ratio	1.25
Mortgage Constant	0.0948
Equity Rate	8.00%

Underwriter's Method

DCR	x Mr	x LTV=	R _o
1.25	0.09485	0.8000	0.0948
		Rounded	9.50%

Band of investment method

A capitalization rate can be developed by weighting the rate of return on the mortgage and on the owner's equity. The mortgage constant is calculated in the same manner as the Underwriter's Method.

Band of Investments Method

Mortgage	80.00%	0.0948	0.0759
Equity	20.00%	0.0800	0.0160
			<u>9.19%</u>

Indicated Capitalization Rate is 9.25%

RENTAL COMPARABLE BUILDING DESCRIPTION				
	Subject	Rental No. 1	Rental No. 2	Rental No. 3
Address	1927 Miller Dr	504 Micah Dr	1926 Miller	1902 Miller Dr
Proximity to Subject	Oleny, IL	Olney, IL	Olney	Olney
Year Built	2002	1990	2000	2001
Gross Building Area		8,626	10,142	10,000
Net Building Area		7,808	10,142	10,000
Current Vacancy		0.000%	0.000%	0.000%
Construction Type		frame/brick	steel frame	steel frame
Construction Quality		ave	ave	ave
Condition		ave	ave	ave
Parking		4000	4000	4,000
Tenant Name		SE IL Counseling	Sigma Sports	Magura
Beginning Date/Term		01/08/00	2000-5 yrs	2002-10 yrs
Lease Type		N-7yrs	N	N
Tenant Size (SF)		7,808	10,142	10,000
Rent per SF		\$5.00	\$ 3.50	\$ 3.98
Rent Concessions Adj.				
Adjusted Rent/SF	\$ -	\$ 5.00	\$ 3.50	\$ 3.98
Time Adjustment				
Adj. Rent per SF	\$ -	\$ 5.00	\$ 3.50	\$ 3.98
Location				
Quality		(1.25)		-
Size				-
Condition				
Total Adjustments	-	(1.25)	-	-
Indicated Market Rent	\$ -	\$ 3.75	\$ 3.50	\$ 3.98

INCOME APPROACH

Gross Potential Income

Area Description	Area	Rent/SF	Total Rent	Monthly
Warehouse/office	24,000	\$ 3.75	\$ 90,000	\$ 7,500
		\$ -	\$ -	\$ -
Total	24,000	\$ 3.75	\$ 90,000	\$ 7,500

Less: Vacancy & Collection Loss 10.00% \$ (9,000)

Plus: Other Income

Effective Gross Income \$ 81,000

Total Expense & Replacement Reserve \$ 4,500

Net Operating Income \$ 76,500

Capitalization Rate 9.25%

Indicated value From the Income Approach 827,027

Rounded \$ 827,000

Estimated Value of Subject by Income Approach is \$827,000

RENTALS SUMMARY TABLE

No.	Location	Lease Type	Building Size	Rent/SF
1.	504 Micah Dr		8,626	\$5.00
2.	1926 Miller		10,142	\$3.55
3.	1902 Miller Dr		10,000	\$3.98

RENTAL NO. 1

Property Identification

Record ID 29
Property Type commercial, office
Property Name SE IL Counseling Center
Address 504 Micah Dr, Olney, Richland County, Illinois 62448

Physical Data

Land Size 1.440 Acres or 62,726 SF
Gross SF 8,626
Net SF 7,808
Construction Type frame/brick
Roof Type asp shingle
Foundation concrete
HVAC f/a/cen
Sprinklers no
Stories 1
Office 8626
Year Built 1990
Condition ave

General Lease Data

Tenant SE IL Counseling Center
Typical Lease Term 8
Lease Type N

General Tenant Summary

Owner T. Fehrenbacher
Verification owner
Office Area 7,808

Rent Analysis

Actual Rent \$5.00 - \$5.00/SF; \$5.00/SF Average
Occupancy 100

RENTAL NO. 2**Property Identification**

Record ID	30
Property Type	commercial
Property Name	Sigma Sports
Address	1926 Miller, Olney, Richland County, Illinois 62450

Physical Data

Land Size	5.500 Acres or 239,580 SF
Gross SF	10,142
Area Breakdown	Warehouse 8,880
	Offices 1,262

Construction Type	metal span/ conc tilt up
Roof Type	metal
Foundation	conc
Electrical	225V
HVAC	f/a/cen in office
Sprinklers	no
Stories	1
Floor Height	1
Office	1262
Industrial	8880
Year Built	20000
Condition	good

General Lease Data

Tenant	Sigma Sports
Typical Lease Term	5 yrs
Lease Type	n
Tenant Size	10,142

General Tenant Summary

Owner	Gassman
Verification	owner

Rent Analysis

Actual Rent	\$3.55 - \$3.55/SF; \$3.55/SF Average
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RENTAL NO. 3**Property Identification**

Record ID	31
Property Type	commercial, office/light man.
Property Name	Gassman Building
Address	1902 Miller Dr, Olney, Richland County, Illinois 62450

Physical Data

Land Size	3.270 Acres or 142,441 SF
Gross SF	10,000
Net SF	10,000
Area Breakdown	Offices 2,250
	Warehouse 7,750

Construction Type	metal span/conc. tilt up
Roof Type	metal
Electrical	single phase,
HVAC	f/a/cen in offices
Sprinklers	no
Stories	1
Floor Height	14
Office	2250 s.f.
Year Built	1
Condition	new
User 4	warehouse 7750

General Lease Data

Tenant	Magura Inc
Typical Lease Term	5 years
Lease Type	N
Tenant Size	10,000


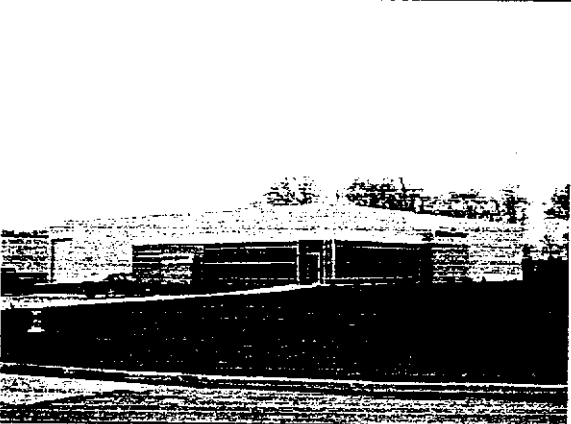
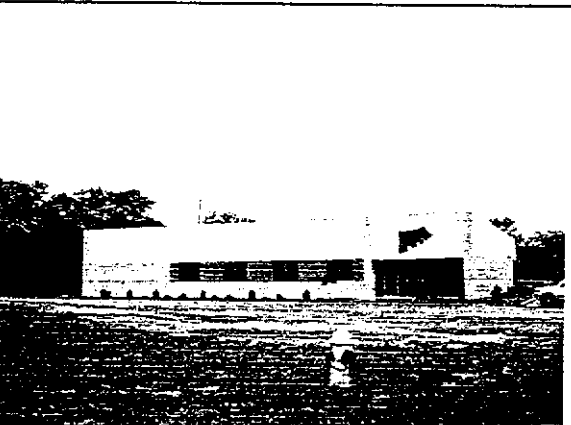
General Tenant Summary

Owner	Gassman
Verification	owner
Office Area	2,250
Percent Finished	100%

Rent Analysis

Actual Rent	\$3.98/SF Average
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PHOTO OF COMPARABLE RENTALS

	504 Micah, Olney, IL
	1926 Miller Dr., Olney, IL
	1902 Miller Dr, Olney, IL

Sales Comparison Approach

Sales of similar industrial properties were reviewed from the east Central Illinois area. The following three sales were felt to be the most similar properties.

COMPARABLE BUILDING DESCRIPTIONS				
	Subject	Sale No. 1	Sale No. 2	Sale No. 3
Location/Address		504 Micah Dr	3571 Union Drive	Radio Tower Road
Proximity to Subject		Olney, IL	Olney, IL	Olney, IL
Map Reference				
Deed Reference		2001-4609	2001-14858	2000-10638
Year Built		1990	1978	1987
Gross Building Area		8,626	84,480	34,050
Net Building Area				
Site Area		62,726	280,091	91,912
Construction Type		Offices,	Manufacturing,	Light Industrial
Construction Quality				
Condition				
Source of Data				
Terms and Conditions		none	conventional	conventional
Property Rights Purchased		fee	fee	fee
Date of Sale		May-01	Nov-01	Oct-00
Sales Price		\$ 575,000	\$ 850,000	\$ 333,500
Financial Adjustment				
Excess Land Adjustment				
Non-Realty Interest Adjustments				
Adjusted Price		\$ 575,000	\$ 850,000	\$ 333,500
Market Rent Equivalency Adjustment				
Adjusted Price		\$ 575,000.00	\$ 850,000.00	\$ 333,500.00
COMPARABLE BUILDING ANALYSIS				
Adjusted Sales Price		\$ 575,000	\$ 850,000	\$ 333,500
Adjusted Price Per Unit		\$ 66.66	\$ 10.06	\$ 9.79
Time Adjustment				
Adjusted Price per Unit		\$ 66.66	\$ 10.06	\$ 9.79
Location				
Quality/Appeal		\$ (32.00)	\$ 24.00	\$ 24.00
Condition				
Effective Age				
Size				
	Total Adjustments	\$ (32.00)	\$ 24.00	\$ 24.00
	Adjusted Price per Unit	\$ 34.66	\$ 34.06	\$ 33.79

IMPROVED SALE NO. 1**Property Identification**

Record ID	71
Property Type	Offices, offices
Property Name	SE Illinois Counseling Center
Address	504 Micah Dr, Olney, Richland County, Illinois 62450
Tax ID	11-10-101-012

Sale Data

Grantor	Frehenbacher
Grantee	SE IL Counseling
Sale Date	May 2001
Deed Book/Page	2001-4609
Property Rights	fee
Financing	none
Verification	assessor

Sale Price	\$575,000
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Land Data

Land Size	1.440 Acres or 62,726 SF
Front Footage	Micah Dr
Zoning	M-2, M-2
Topography	level
Utilities	full city
Dimensions	irregular
Shape	irregular
Landscaping	average
Rail Service	none
Fencing	no
Flood Info	zone C

General Physical Data

Building Name	SE IL Counseling
Building Type	Single tenant
Gross SF	8,626
Net SF	8,626
Construction Type	frame/brick
Roof Type	asp shingle
Foundation	concrete
HVAC	f/a/cen
Sprinklers	no
Stories	1
Floor Height	1
Year Built	1990
Condition	ave

IMPROVED SALE NO. 1 (Cont.)**Income Analysis**

Potential Gross Income	\$43,130
Effective Gross Income	\$43,130
Expenses	\$11,515
Net Operating Income	\$31,615

Indicators

Floor Area Ratio	0.14
Land to Building Ratio	7.27:1
Gross Income Multiplier	13.33
Eff. Gross Income Multiplier	13.33
Overall or Cap Rate	5.5%

IMPROVED SALE NO. 2

Property Identification

Record ID	72
Property Type	Manufacturing, Heavy Industrial
Property Name	Marwi Building
Address	3571 Union Drive, Olney, Richland County, Illinois 62450

Sale Data

Grantor	Marwi
Grantee	Heritage & Eagle
Sale Date	November 2001
Deed Book/Page	2001-14858
Property Rights	fee
Verification	Banker

Sale Price	\$850,000
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Land Data

Land Size	6.430 Acres or 280,091 SF
Zoning	M-2, Heavy Industrial
Topography	level
Utilities	full city
Shape	rectangular
Rail Service	no
Fencing	no
Flood Info	C

General Physical Data

Building Name	Marwi
Building Type	Single tenant
Gross SF	84,480 78240 man. 6240 office
Net Rentable SF	84,480
Unit	1
Area Breakdown	Manufacturing Are 78,240
	Office 6,240 O

Construction Type	steel span
Roof Type	steel
Foundation	conc
Electrical	277/480, 3 phase 3000 amp
HVAC	f/a, central in office
Sprinklers	yes
Stories	1
Floor Height	20
Year Built	1978 add 1994, office
Condition	average

IMPROVED SALE NO. 2 (Cont.)

Truck High Docks	4
Dock Height	14
Levelers	2
Drive-in Doors	2

Income Analysis

Potential Gross Income	\$190,080
Vacancy	\$28,500
Effective Gross Income	\$161,580
Expenses	\$51,705
Net Operating Income	\$109,875

Indicators

Sale Price/Gross SF	\$10.06
Floor Area Ratio	0.30
Land to Building Ratio	3.32:1
Gross Income Multiplier	4.47
Eff. Gross Income Multiplier	5.26
Expenses/Sq. Ft.	\$0.61
Overall or Cap Rate	12.93%
Net Operating Income/Sq. Ft.	\$1.30

Remarks

56,000 s.f. of concrete truck parking on north side and including car parking for front of office area.

IMPROVED SALE NO. 3**Property Identification**

Record ID	63
Property Type	Industrial, Light Industrial
Property Name	Illini Wire
Address	Union Drive and Radio Tower Road, Olney, Richland County, Illinois
Tax ID	---

Sale Data

Grantor	City of Olney
Grantee	Illini Wire Works
Sale Date	October 2000
Deed Book/Page	2000-10638
Property Rights	fee
Financing	conventional
Sale History	sold as part of lager tract 4/2000
Sale Price	\$333,500

Land Data

Land Size	2.110 Acres or 91,912 SF
Front Footage	437 ft Union Dr
Zoning	M-2, M-2
Topography	level
Utilities	full city
Dimensions	irregular
Shape	irregular
Landscaping	none
Rail Service	none
Fencing	none
Flood Info	zone C

General Physical Data

Building Name	Illini Wire
Building Type	Single tenant
Gross SF	34,050 basement 1800 sf
Construction Type	Steel
Roof Type	Metal
Foundation	concrete
Electrical	3 phase 110V
HVAC	W/A ceiling mount
Sprinklers	wet
Stories	1
Year Built	1987 addition 1989
Condition	average

IMPROVED SALE NO. 3 (Cont.)

Income Analysis

Potential Gross Income	\$73,500
Vacancy	\$3,500
Effective Gross Income	\$70,000
Expenses	\$17,000
Net Operating Income	\$53,000

Indicators

Sale Price/Gross SF	\$9.79
Bldg Price/Gross SF	\$9.42
Floor Area Ratio	0.37
Land to Building Ratio	2.70:1
Gross Income Multiplier	4.54
Eff. Gross Income Multiplier	4.76
Expenses/Sq. Ft.	\$0.50
Overall or Cap Rate	15.89%
Net Operating Income/Sq. Ft.	\$1.56

Remarks

Income was estimated.

Reconciliation and Final Value Estimate**Summary of Indicated Values**

Cost Approach	\$811,000
Income Approach	\$827,000
Sales Comparison Approach	\$816,000

Weight was given to the cost approach due to new construction with no physical or functional depreciation.. This approach was felt to be supportive of the final value estimate.

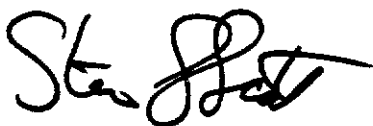
The income approach was also felt to support the final value estimate. Excellent comparable rentals are available in the immediate area of the subject. This supports the Cost Approach

Weight was given to the sales comparison approach. While Comp #2 was very similar to subject, each represented a portion of use such as the subject.

In my opinion, the market value of the subject property as of September 21, 2002 is,

Eight Hundred Twenty Five Thousand Dollars
(S820,000)

Respectfully submitted,



Steven L. Scott
IL State Certified General Real Estate Appraisers
License No. 153-000780
Expires 9/30/2003

APPRAISER QUALIFICATIONS

THIS APPRAISAL HAS BEEN MADE BY STEVEN L. SCOTT

ILLINOIS STATE CERTIFIED GENERAL APPRAISER #153-000-780

EXPIRATION DATE: 09/30/2003

THIS APPRAISER HAS SINCE 1971, EXPERIENCE IN THE REAL ESTATE FIELD, AND HAS SPECIALIZED IN LOCAL SALES, PROPERTY MANAGEMENT AND APPRAISALS. HE WAS BORN IN 1947 AND IS A LIFE LONG RESIDENT OF JASPER COUNTY, ILLINOIS. HE IS A PROPERTY OWNER IN THE COUNTY HAVING AN EQUITY INTEREST IN OVER 20 CITY AND 7 FARM PROPERTIES LOCATED THEREIN.

HE HAS COMPLETED APPRAISAL AND REAL ESTATE COURSES AS FOLLOWS;

REAL ESTATE PRINCIPALS.30 HRS. REAL ESTATE EDUCATION CORP.
 REAL ESTATE PRINCIPALS..90 HRS. REAL ESTATE EDUCATION CORP.
 REAL ESTATE PRINCIPALS..ADVANCED..OLNEY CENTRAL COLLEGE
 REAL ESTATE FINANCING.....LAKELAND COLLEGE
 APPRAISAL OF REAL ESTATE.....LAKELAND COLLEGE

REAL ESTATE PRINCIPALS	30 HRS	NAIFA
STANDARDS OF PRACTICE	30 HRS	NAIFA
MARKET DATA ANALYSIS	30 HRS	NAIFA
FINANCIAL ANALYSIS	30 HRS	NAIFA
INCOME ANALYSIS AND TECHNIQUES	15 HRS	NAIFA
ENVIRONMENTAL SCREENING	22 HRS	NAERA
SPECIALTY LIVESTOCK. FACILITIES	8 HRS	ASFMRA
CONDEMNATION APPRAISING	15 HRS	NAIFA
CAP RATES, RATIOS, DISCOUNT RATES	8 HRS	NAIFA
IS THE COMP, COMPARBLE	8 HRS	NAIFA
A DAY WITH THE COMMITTEE (STANDARDS)	14 HRS	ICAP
INTERNET AND APPRAISING	7 HRS	APP. INST.
RURAL APPRAISAL	44 hrs	ASFMRA

APPRAISAL CLIENTS HAVE INCLUDED: INTERNAL REVENUE SERVICE, FARMERS HOME ADMINISTRATION, PEOPLES STATE BANK, COMMUNITY BANK AND TRUST, FIRST NATIONAL BANKS OF NEWTON, DIETERICH, EFFINGHAM AND OLNEY, CITY OF OLNEY, COLDWELL BANKER, MANY ATTORNEYS AND INDIVIDUALS
 THIS APPRAISER IS PRESENTLY IN COMPLIANCE WITH THE STATE CONTINUING EDUCATION REQUIREMENTS.

Scott Appraisal Service

P.O. Box 72
Newton, Illinois 62448
Telephone (618) 783-2801

September 30, 2002

Re: Rick Zehner
% Illinois Real Estate Company
Lawrenceville, IL

Dear Mr Zehner,

In accordance to your request, this letter is to be considered an addendum to the appraisal of the property located at 1927 Miller Drive, Olney, Illinois. You have requested me to provide information on market rents of office area and warehouse area in the Olney, Illinois. Office area typically rents for \$5.00 to \$7.50 per s.f.. Warehouse space (heated) typically rents for \$2.00 to \$2.50/s.f.. It should be noted that it is not possible to accurately blend these income streams into your property. This is because a tenant of a property with a mixture of office and warehouse will not pay full market for the portion they will not be utilizing. Rental comparables #2 and #3 were similar to yours in % of office to warehouse. Rental Comparable #1 was all offices and could be considered an indication of what office area is renting for in the area.

It has been a pleasure to assist you in this matter; if I may be of further assistance to you in the future, please let me know.

Sincerely yours,



Steven L. Scott

IL State Certified General Real Estate Appraiser
License # 153-000780
Expires September 30, 2003